# Maple Leaf Mills Limited

ANNUAL REPORT TO SHAREHOLDERS, JULY 31, 1965

NOV 29, 1965

# MAPLE LEAF MILLS LIMITED

*to the shareholders*

On behalf of the Directors, we are pleased to report and review the financial results of the Company for the fiscal year ended July 31st, 1965. A brief account of the activities of the various divisions is also included.

The year has produced better profits than were anticipated when the major Russian flour sale was completed in August, 1964. Despite a very substantial drop in flour export sales and production, the over-all profits are the second best in the history of the Company.

Net earnings of $2,507,396 compared with $2,997,965 in the previous year. The decline is almost entirely attributable to the much smaller flour sales to Russia, and the effect this had on domestic competition throughout much of the year. A five-year statement of earnings follows:

FIVE-YEAR STATEMENT OF EARNINGS

| | 1965 | 1964 | 1963 | 1962 | 1961 |
|---|---|---|---|---|---|
| Earnings before undernoted items | $8,175,575 | $9,258,386 | $6,912,896 | $6,607,643 | $6,326,327 |
| Dividends from controlled bakery companies | 236,818 | 92,249 | 290,960 | 154,711 | 143,396 |
| Income on marketable securities | 24,927 | 7,626 | — | — | — |
| Profit on sale of fixed assets | 24,274 | 114,860 | 123,325 | 41,668 | 60,521 |
| Profit on sale of preference shares of a controlled bakery company | — | 95,621 | — | — | — |
| | 8,461,594 | 9,568,742 | 7,327,181 | 6,804,022 | 6,530,244 |
| Deduct: | | | | | |
| Depreciation | 2,610,202 | 2,575,271 | 2,600,994 | 2,236,756 | 1,626,677 |
| Interest on funded debt | 1,100,080 | 1,171,268 | 1,247,745 | 1,138,167 | 499,105 |
| Income taxes | 2,234,000 | 2,813,000 | 1,645,000 | 1,745,000 | 2,198,800 |
| Dividends on preference shares of a subsidiary company | 9,916 | 11,238 | 12,560 | 6,611 | — |
| | 5,954,198 | 6,570,777 | 5,506,299 | 5,126,534 | 4,324,582 |
| Net Earnings | 2,507,396 | 2,997,965 | 1,820,882 | 1,677,488 | 2,205,662 |
| Deduct dividends on preference shares | 102,295 | 102,295 | 102,295 | 102,296 | 95,466 |
| Net earnings available for Common Shares | $2,405,101 | $2,895,670 | $1,718,587 | $1,575,192 | $2,110,196 |

During the year the regular dividend of 60¢ a share on the common stock was paid quarterly. Subsequent to the year-end an extra dividend of 10¢ has been declared and paid. Total payment to common and preferred shareholders during the fiscal year was $1,037,766. Net income after preferred dividends amounted to $1.53 a share on the common shares outstanding at the year-end, as compared with $1.86 a share the year before. Working capital declined $1,837,752 and stood at $17,572,963 at year-end. This drop was mainly due to the large capital expenditure program. Details are given in the Source and Application of Funds statement.

The new flour mill in Montreal and the feed plant in Edmonton came into operation on schedule during the year. Both are performing satisfactorily and will be decided assets in the years to come. Substantial increases to grain storage capacity in Western Ontario have been made and, in addition, two retail stores, a new grain and feed branch, a corn drying plant and expanded fertilizer facilities have been purchased or built in this area. Elsewhere a continuing program of modernization and cost reduction was carried on. In all, $4,064,562 (net) was spent for assets, expansion and improvements to existing facilities.

The Agricultural Division achieved a good year despite continuing problems of low prices and a surplus in some farm products. While profits in Seeds and Special Products Departments were lower, they nevertheless can be considered satisfactory in view of problems affecting the whole industry. The Flour and Grocery Products Division earned substantially less money, but was successful in maintaining domestic volume in flour, cake mixes and other packaged goods. The Pet Food Department expanded its product lines and increased sales. The earnings of the Grain Merchandising and Elevator Division were slightly lower than last year, but well above all other years. St. Clair Grain and Feeds, the Sarnia Elevator, and Montreal Grain Trading did particularly well. The International Trading Department maintained its position in relation to past performance. The results of the Vegetable Oil Division were satisfactory.

The Company enjoyed increased dividend returns from bakeries in which it has an interest. These bakeries have made excellent progress in the past few years.

Relationships with employees and unions continued on a satisfactory basis. Substantial wage and salary increases occurred, necessitating increased efforts to improve productivity. With prices in the food and feed areas remaining static, and even depressed in some cases, this part of the business has a constant struggle to maintain and increase the modest margins which are characteristic.

In the new fiscal year the Russian sales assure near capacity flour mill operation. There are certain problems to be solved which to some extent are beyond the control of the Company. These relate to the availability of grains of suitable grade to look after the new large Russian contract, as well as traditional business, and the possible difficulties of controlling costs in the face of inflationary influences affecting almost all segments of the business, and industry in general in Canada.

New products are in the advanced planning and development stage. Further expansion and diversification are being considered. The year should be a good one.

During the course of the fiscal year two senior members of the staff retired under the provisions of the Pension Plan. Mr. H. R. Cook, Vice-President—Agricultural Division, and Mr. F. T. Carnegie, Secretary, contributed substantially to the progress of the Company during a long period of distinguished service.

The employees, of whom there are now about 2,300, have continued loyally and efficiently to look after the affairs of the Company. Without this contribution success could not be achieved, and we appreciate their good efforts of the past year.

On Behalf of the Board of Directors

*Chairman*

*President*

TORONTO, CANADA,
October 26, 1965.

# THE COMPANY AND ITS OPERATIONS IN 1964-65

*detailed reports and general information*

## FLOUR AND GROCERY PRODUCTS DIVISION

### Bakery Flour

Intense domestic competition developed during the fiscal year following completion of the large Russian flour sale of 1963. Nevertheless, volume was well maintained.

As bakeries expand operations, introduce technological changes in plants and develop new types of baked goods, the demands for precise flour specifications and strict uniformity become more exacting. This also holds true of customers of Durum flours for the production of macaroni, spaghetti and other pasta products. It is a challenge to the Company's technical resources and capabilities to meet the varying requirements of the trade.

The Company continued to hold a substantial share of the volume of all types of bakery flours and Durum products. Sales coverage was expanded to improve service to industrial and institutional users of flour products, and the specialty line of bulk mixes was broadened. The Research Division continued to provide new and improved products for the Bulk Sales Department.

The Company formed an alliance with Delmar Chemicals Limited in 1964. The purpose was to pool scientific and technical experiences and facilities in order to develop, manufacture and market food ingredients, particularly for the baking industry. The experience of the first year gives cause to be optimistic about this new venture. Two new products have been successfully introduced to the Canadian baking industry, with more to be launched this year.

Management Courses for small and medium-sized bakeshop owners were sponsored by the Company in co-operation with the Federal Department of Labour and Provincial Educational Departments. Classes were held in Toronto, Winnipeg and Vancouver. These courses stressed the application of modern accounting procedures and management methods in the conduct of their businesses as a means of avoiding unprofitable operations. This educational program was enthusiastically received by those concerned, and it will be continued during the coming year.

### Grocery Products

The Company again vigorously promoted its household brands of flour and mixes. PURITY and CREAM OF THE WEST all-purpose flours and MONARCH SOFT WHEAT FLOUR maintained a strong position in the market place.

MONARCH POUCH-PAK CAKE MIXES remain household favourites, and throughout the year, under the pressure of severe competition, stood out as one of Canada's leading cake mix brands. Now being marketed is a radically re-formulated cake mix which yields a more moist cake of finer texture and greater volume. Coincident with the launching of the improved formula was a newly designed package which has a more eye-appealing appearance, both in the stores and in the consumer's kitchen.

### Master Pet Foods

Once again sales of MASTER PET FOODS surpassed those of the previous year. The policy of this department is to cater to quality-conscious buyers. One new product was added to the Dry Pet food line, and a new item for the Wet line is under development. Up until the present time efforts have been directed mainly to the Ontario and Quebec markets. There is a marked growth in the pet foods industry, and in order to capitalize on the potential available, it is planned to enter additional markets this coming year.

### Export Sales

The outstanding feature of the year's business was the resumption of purchases by the U.S.S.R. This flour while only 25% of total purchases of the previous year, nevertheless contributed to volume and revenue.

Normal commercial sales of all Canadian flour continued the decline which has become the pattern in recent years. Most significant was the decrease in volume in Canada's best flour market, the United Kingdom. To some extent this was due to keener price competition from the British home mills, but mainly was caused by these mills continuing the practice of buying up successful bakeries thereby limiting the potential number of customers.

### Production

The year was highlighted by the completion and start-up of the new Flour Mill and Warehouse on the Bridge Street property in Montreal, the site of the existing Feed Plant. It is hoped that the Montreal Office will be moved to Bridge Street in the coming year, thus consolidating operations and leading to greater over-all efficiency in this important area.

This modern and efficient mill, with a daily capacity of 2000 cwt., will produce both hard and soft wheat flour for our customers in the Province of Quebec. A fast-loading Bulk System is an integral part of the new unit and will provide efficient service for the larger bakeries and biscuit manufacturers in the Montreal area.

As all mills were not required to operate at maximum capacity as had been necessary the previous year due to the large Russian Flour Contract, the opportunity was taken to continue the general programme of improvement and modernization at many of the plant locations. In addition, new mixing and production equipment was installed in the Cereal and Cake Mix Plant at West Toronto to help provide greater efficiency in this important area of operations.

Work was also started during the year on two new warehouses in Newfoundland at Clarke's Beach and Lewisporte. These warehouses will enable greatly improved service to be provided for Flour and Grocery Products customers in this province.

## AGRICULTURAL DIVISION

### Feed

During most of the year the price of farm produce remained at a relatively low level. This was specially true of eggs and adversely affected feed sales. In spite of this, over-all sales were well maintained and the Agricultural Division had a satisfactory year.

Fortunately, the price of farm produce has improved and immediate prospects look encouraging. Egg prices have advanced considerably, and pork prices are the highest for a number of years.

A new feed manufacturing plant was completed and brought into production at Edmonton, Alberta. The plant is operating well and provides improved service to customers in Northern Alberta and the Peace River area.

In Ontario, a corn drying plant was constructed at Baden and additional storage is planned for next year. Considerable expansion has taken place at Komoka with further expansion planned for 1965-66.

New retail stores were built at Millbank and Wellington branches.

Corn is becoming an increasingly important factor in the feed business and the agricultural economy of Ontario. Further corn drying and storage is being considered for the future.

Practically all of the Company's retail branches at Brackman-Ker in British Columbia were modernised during the year. Operations at Brackman-Ker showed further improvement with a satisfactory increase in the sale of Master Feeds.

A new Special Products warehouse was built in Calgary and the Company is now selling and distributing poultry and livestock equipment in Alberta similar to established practice in Eastern Canada.

This was the first complete year for the new Beef Research Station at Bassano, Alberta. Because of the extremely cold winter in Alberta, some problems were encountered. However, the research station is working well and should be a real asset to future operations. Research continues to play a most important part in Master Feeds. A number of new feeds were marketed during the year and helped materially to maintain sales volume. New feeds are being planned for introduction during the coming year.

### Sky Line Farms Limited

Sky Line Farms has been successful in holding its position in general in the processing and marketing of poultry, and increased its position in certain specialty lines. During the last half of the year new products have added considerably to volume.

The hatchery department has been operating at near capacity for the year. Sky Line chicks have performed exceptionally well on poultry farms of customers.

### Hogg & Lytle Seeds

Hogg & Lytle Seeds (including Jones, MacNaughton Seeds and Pritchard Seeds Limited) concluded another rewarding year. Satisfactory progress was made in the increasing of production and merchandising of proprietary varieties of seeds. Hogg & Lytle continues to pioneer this concept with a view to achieving greater stability of earnings.

## Grain Merchandising and Elevator Division

Revenues at the elevators at Sarnia were much greater than last year and as at July 31, 1965 there was considerably more grain, on hand, earning storage than at the same time last year. Just completed at Sarnia is the installation of a new 60-foot hydraulic truck dumper and platform scale, capable of unloading any truck equipment presently on the highway or envisioned in the future. This will enable Sarnia to handle larger quantities of Ontario grown grains. Also installed there, are aeration systems with a capacity for handling a half million bushels—a modern development safeguarding the condition of grain held in storage.

Revenue of the elevators at Toronto was about the same as experienced last year and it seems unlikely that there will be much change as these facilities are used primarily to serve the needs of the Company's diversified business of flour mills, feed plants and oil processing.

The elevators at Sarnia and Toronto operate under licence of The Board of Grain Commissioners for Canada, and as of April 15, 1965 authorization was granted to charge additional elevation and a further increase becomes effective January 1, 1966.

Grain merchandising from the Toronto office was reduced somewhat because of the much larger crops of Ontario Grain, especially Corn, but still produced a favourable result in comparison with the years prior to last year when profits were exceptionally high. Results of Grain merchandising from the Montreal and Quebec offices were slightly higher, which is gratifying in view of the keen competition in the Grain trade of Quebec and the Maritimes.

### St. Clair Grain & Feeds

Although the Ontario Wheat crop was drastically lower this year, St. Clair was able to show improved results and had one of its best years. Prospects look excellent for bumper crops of Ontario Soybeans and Corn so the handlings should be much greater.

Since the last report the Company has bought an established grain business at Ridgetown, Ontario, which consisted of grain storage, grain drier and a Corn sheller. Since acquiring this point a new office and bulk fertilizer handling facilities have been constructed. Also in the process of building is additional grain storage and a chopping mill.

Additional grain storage at Staples and Merlin—bulk fertilizer facilities at Merlin and a new grain drier at Staples have been added.

With the new fertilizer units, additional storage and grain driers, St. Clair will be better able to service its customers and handle additional grain.

### International Trading Department

During the past year trading was initiated successfully in several new overseas directions, and in additional commodities. These activities enabled the Department to maintain profits despite reductions in traditional levels of Canadian imports.

The greater geographical distribution and diversification of trading interests achieved during recent years should result in stable and profitable growth in the future.

## VEGETABLE OIL DIVISION

The results of the Vegetable Oil Division were satisfactory in spite of reduced processing margins caused by higher raw material costs in the case of Soybeans, and lower returns from Linseed Oil and Meal sales.

The relatively high Soybean prices of last year reflected the close balance between Soybean supply and requirements. This situation should be alleviated as a record new crop is in the process of being harvested, and it appears that Soybean supplies will be about 17 percent greater than a year ago.

The prospective supplies of Flaxseed appear to be more than ample, providing the North American harvest is completed with no serious losses. Large stocks of cheaply priced Linseed Oil now in Europe will provide competition for Canadian Flaxseed over the next several months.

These increased supplies of Soybeans and Flaxseed should produce more stable and lower raw material costs during the next year.

## RESEARCH DIVISION

The collaborative research and marketing program with Delmar Chemical Company has enabled us to offer two new classes of product—fungal enzymes and microbial inhibitors to bakers and other food manufacturers. Fungal enzymes act as specific dough conditioners permitting a reduction in mixing time and better sheeting properties. Microbial inhibitors are used to prevent food spoilage through undesirable mould and bacterial attack. Other biological materials will be offered to the food industry in the near future.

A complete new line of cake mixes which yield cakes of exceptional volume and moistness have been introduced in the Pouch-Pak line. These came into being through a new and superior emulsifying and shortening system developed specifically to suit the specially milled flour which is used. This basic development produced other new high quality Pouch-Pak mixes, including Gingerbread and Brownie.

A unique agglomeration process gave rise to instant sauce and gravy flours now marketed under the Purity and Monarch labels. These flours, specially milled and processed, disperse instantly in cold liquids to produce smooth, lump-free sauces, gravies and thickened soups and stews. Some original and advanced developments in milling technology are

expected to yield useful new materials in the near future.

Research in oleochemicals, pet foods and applied statistical methods has been significantly extended during the year.

## SERVICE DEPARTMENTS

### Traffic

During the year important distribution changes have taken place, or are in the process of being instituted, to complement new freight rate arrangements negotiated by the Traffic Department.

Those developments which involve changes in warehousing arrangements at many locations, in addition to freight rate changes, are all aimed at reducing distribution costs and improving service to customers from coast to coast.

It is clear that the over-all field of the handling and movement of goods, particularly in the Flour and Grocery Products Division, holds great promise for further worthwhile savings and improved service. This area, sometimes referred to as the "total distribution concept", will continue to receive the priority attention of the Traffic Department in the years ahead.

### Purchasing

The Purchasing Department contributes greatly to the over-all success of the operations by efficiently supervising and co-ordinating general buying policy throughout the Company.

Whenever possible, contracts have been negotiated for the over-all requirements of ingredient supplies and other commodities, with resulting savings for all divisions.

### Engineering

The Engineering Department has been particularly busy this year supervising the design and construction of the new plants at Montreal and Edmonton.

In addition to those major projects, the department continued its supervision of the continuing program of modernisation and technical improvement in all divisions of the Company.

### Financial

Continual progress is being made in both the manual and machine accounting procedures. Emphasis has been placed on extending the data processing centre which has gradually assumed more responsibility for the preparation of the financial statements and supporting schedules.

## PERSONNEL AND INDUSTRIAL RELATIONS

Several labour agreements were renewed during the year at plant locations where employees are represented by a collective bargaining agent. Terms of settlement in each case were consistent with those reached by major competitors. Relations between the Company and the unions with whom we negotiate continue to be satisfactory.

The Canada Labour (Standards) Code recently enacted by the Government of Canada establishes that the majority of the Company's operations are under Federal jurisdiction for purposes of labour legislation. Although the working conditions and benefits offered by the Company are generally superior to the standards laid down by the Labour Code, the new legislation does create a problem by limiting the Company's right to schedule hours of work. This restriction could adversely affect efficiency at certain manufacturing locations and retail outlets. The Company has made application for relief from the hours of work regulations laid down by the Labour Code.

As in previous years, salary and wage levels have been reviewed and adjusted regularly to maintain each employee's earnings at a level consistent with his job responsibility and performance. The Company has continued to encourage and assist employees to further their job knowledge through formal training courses.

# MAPLE LEAF MILLS LIMITED

*(Incorporated under the laws of Ontario)*

AND ITS SUBSIDIARIES

## *assets*

| | | 1965 | 1964 |
|---|---|---|---|
| CURRENT: | | | |
| Cash | | $ 334,048 | $ 83,464 |
| Accounts and bills receivable less allowance for doubtful accounts | | 21,937,324 | 18,805,540 |
| Accounts receivable from controlled bakery companies | | 580,806 | 453,160 |
| Contract sales, due on future delivery of grain and other products | | 8,053,902 | 5,515,707 |
| Inventories— | | | |
| Wheat held as agent for the Canadian Wheat Board, at cost | $12,564,836 | | |
| Finished products and materials held for production at the lower of cost and market | 12,319,810 | | |
| Other grains, at market | 1,573,815 | 26,458,461 | 25,171,757 |
| Marketable securities, at cost (market value $944,000; 1964—$901,000) | | 787,506 | 759,047 |
| Prepaid expenses | | 636,998 | 640,497 |
| Total current assets | | 58,789,045 | 51,429,172 |
| INVESTMENTS: | | | |
| Shares of controlled bakery companies (note 1) | | 2,113,271 | 2,113,046 |
| Mortgages, properties and other investments, at cost, less amounts written off | | 4,181,860 | 3,713,116 |
| | | 6,295,131 | 5,826,162 |
| FIXED: | | | |
| Real estate, plant and equipment etc. (note 2) | | 53,383,939 | 49,557,816 |
| Less accumulated depreciation | | 27,026,946 | 25,167,360 |
| | | 26,356,993 | 24,390,456 |
| Ocean tanker, at cost (notes 3 and 7) | | 9,758,055 | 9,758,055 |
| Less accumulated depreciation | | 1,949,431 | 1,461,528 |
| | | 7,808,624 | 8,296,527 |
| Less secured ship obligations (note 3) | | 4,995,407 | 5,577,887 |
| | | 2,813,217 | 2,718,640 |
| Total fixed assets | | 29,170,210 | 27,109,096 |
| OTHER: | | | |
| Recoverable from indemnity fund (note 3) | | 604,964 | 538,409 |
| Inventory of repair parts and supplies | | 158,312 | 96,323 |
| Patents, trademarks and goodwill, less amortization | | 314,281 | 349,281 |
| Unamortized debenture discount and expenses | | 432,504 | 465,148 |
| | | 1,510,061 | 1,449,161 |
| | | $95,764,447 | $85,813,591 |

# *consolidated balance sheet, July 31, 1965*

*(with comparative figures for 1964)*

)THER THAN CONTROLLED BAKERY COMPANIES)

## *liabilities*

| | 1965 | 1964 |
|---|---|---|
| **CURRENT:** | | |
| Bankers' advances (note 4) | $21,662,435 | $16,583,229 |
| Bankers' acceptances (note 4) | 3,900,000 | |
| Notes payable | 4,100,000 | 5,242,000 |
| Owing for undelivered purchases of grain and other products (secured) | 636,788 | 1,162,036 |
| Other grain and commodity commitments (secured) | 2,084,377 | 1,104,552 |
| Accounts and wages payable and accrued charges | 5,670,635 | 5,987,360 |
| Income and other taxes payable | 2,321,447 | 1,136,380 |
| Funded debt payable within one year | 840,400 | 802,900 |
| Total current liabilities | 41,216,082 | 32,018,457 |
| **FUNDED DEBT** (not including $4,995,407 secured ship obligations being serviced by charter revenues and an indemnity fund, deducted from asset) (notes 3 and 5) | 13,913,200 | 14,664,600 |
| **ACCUMULATED TAX REDUCTIONS APPLICABLE TO FUTURE YEARS** (note 6) | 6,472,300 | 6,641,000 |
| **MINORITY SHAREHOLDERS' INTEREST IN PREFERENCE SHARES OF SUBSIDIARY COMPANIES** (note 7) | 355,600 | 211,540 |
| **SHAREHOLDERS' EQUITY:** | | |
| Capital stock (note 8)— | | |
| Authorized: | | |
| 75,000 preference shares Class A, par value $100 each | | |
| 18,623 5½% preference shares Class B (cumulative, redeemable and voting), par value $100 each | | |
| 4,000,000 common shares without par value | | |
| Issued: | | |
| 18,622.27 preference shares Class B | 1,862,227 | 1,862,247 |
| 1,568,999.85 common shares | 4,945,097 | 4,885,436 |
| | 6,807,324 | 6,747,683 |
| Less 5,390 common shares held by a subsidiary | 4,270 | 4,270 |
| | 6,803,054 | 6,743,413 |
| Contributed surplus | 576,922 | 576,922 |
| Earned surplus | 26,427,289 | 24,957,659 |
| | 33,807,265 | 32,277,994 |
| | $95,764,447 | $85,813,591 |

On behalf of the Board:

J. D. LEITCH, *Director*
G. M. MACLACHLAN, *Director*

# M A P L E L E A F M I L L S L I M I T E D

## *for the year ended July 31, 1965*

*(with comparative figures for 1964)*

### *statement of consolidated earnings*

| | 1965 | 1964 |
|---|---|---|
| Earnings from operations before the charges set out below | $ 8,755,462 | $ 9,803,182 |
| Dividends from controlled bakery companies | 236,818 | 92,249 |
| Income from marketable securities | 24,927 | 7,626 |
| Profit on sale of fixed assets | 24,274 | 114,860 |
| Profit on sale of preference shares of a controlled bakery company | | 95,621 |
| | 9,041,481 | 10,113,538 |
| *Deduct:* | | |
| Interest on funded debt including secured ship obligations | 1,100,080 | 1,171,268 |
| Depreciation | 2,610,202 | 2,575,271 |
| Appropriation for employees' pensions | 512,243 | 513,519 |
| Amortization of debenture discount and expenses | 32,644 | 31,277 |
| Amortization of goodwill | 35,000 | |
| Dividends on preference shares of subsidiary company | 9,916 | 11,238 |
| | 4,300,085 | 4,302,573 |
| Earnings before income taxes | 4,741,396 | 5,810,965 |
| Income taxes (note 6) | 2,234,000 | 2,813,000 |
| Earnings for the year | $ 2,507,396 | $ 2,997,965 |

### *statement of consolidated earned surplus*

| | 1965 | 1964 |
|---|---|---|
| Balance at beginning of year | $24,957,659 | $23,028,433 |
| Earnings for the year | 2,507,396 | 2,997,965 |
| | 27,465,055 | 26,026,398 |
| *Deduct dividends:* | | |
| Preference shares | 102,295 | 102,295 |
| Common shares | 935,471 | 966,444 |
| | 1,037,766 | 1,068,739 |
| Balance at end of year | $26,427,289 | $24,957,659 |

### *statement of consolidated contributed surplus*

| | 1965 | 1964 |
|---|---|---|
| Balance at beginning of year | $ 576,922 | $ 576,927 |
| Premium on purchase of preference shares for cancellation | | 5 |
| Balance at end of year | $ 576,922 | $ 576,922 |

# MAPLE LEAF MILLS LIMITED

*for the year ended July 31, 1965*

## *statement of consolidated source and application of funds*

| | | | |
|---|---|---|---|
| Funds were obtained from: | | | |
| Operations, consisting of— | | | |
| Earnings for the year | | $2,507,396 | |
| Charges which did not require an immediate cash outlay: | | | |
| Depreciation | | 2,610,202 | |
| Amortization of debenture discount and expenses | | 32,644 | |
| Amortization of goodwill | | 35,000 | $5,185,242 |
| Deduct: | | | |
| Profit on disposal of fixed assets | | 24,274 | |
| Transfer from accumulated tax reductions | | 199,300 | 223,574 |
| | | | 4,961,668 |
| Issue of common shares on the exercise of options | | | 59,661 |
| | | | 5,021,329 |
| Funds were applied to: | | | |
| Purchases of fixed assets (net) | | 4,064,562 | |
| Mortgages, properties and other investments (net) | | 468,744 | |
| Payment of dividends | | 1,037,766 | |
| Reduce funded debt | | 790,400 | |
| Reduce secured ship obligations | | 582,480 | |
| Increase amount recoverable from indemnity fund | | 66,555 | |
| Redeem preference shares of a subsidiary | | 26,440 | |
| Other items | | 62,234 | |
| | | 7,099,181 | |
| Deduct liabilities and similar items arising on acquisition of a subsidiary: | | | |
| Increase in funded debt | $ 39,000 | | |
| Increase in accumulated tax reductions | 30,600 | | |
| Increase in minority interest | 170,500 | 240,100 | 6,859,081 |
| Decrease in working capital | | | $1,837,752 |

## *notes to consolidated financial statements, July 31, 1965*

1. Shares of Controlled Bakery Companies

These investments are carried at amounts based on revaluations by the management in 1926 plus subsequent additions at cost.

As required by the Corporations Act 1953 (Ontario) the following information is submitted regarding controlled bakery companies whose statements are not consolidated herein:

(a) Maple Leaf Mills Limited controls certain bakery companies through ownership of a majority of their outstanding common shares. As a large proportion of the preferred and common stock and all the funded obligations of Canada Bread Company Limited and Eastern Bakeries Limited is held by other interests, the assets and liabilities and income and expense of the bakery subsidiaries have not been consolidated with those of Maple Leaf Mills Limited.

(b) This company's proportion of the aggregate profit and loss of such bakery companies for their fiscal years ending within the year ended July 31, 1965 was $523,256.

(c) Dividends received from such companies during the year included in the accompanying statement of consolidated earnings amounted to $236,818.

(d) This company's proportion of the balance of profits accumulated by such companies from the dates of the financial reorganizations of the respective companies (in the years 1934 to 1939 inclusive) to the end of their fiscal years ended prior to July 31, 1965 amounted to $3,071,298, after deducting:

   (i) the company's proportion ($52,268) of amounts charged to the earned surplus of one subsidiary company in respect of an adjustment of prior years' Provincial Sales Tax.

   (ii) dividends received subsequent to the end of such companies' respective fiscal years.

The company's proportion of accumulated profits less losses of subsidiaries prior to reorganization are not material in amount.

The market value at July 31, 1965 of the company's investment in preferred and common shares of Canada Bread Company Limited and Eastern Bakeries Limited amounted to $4,420,473 and the book value as shown by the balance sheet at September 30, 1965 of Canadian Bakeries Limited of the company's investment in the shares of that company amounted to approximately $1,230,000.

2. Real Estate, Plant, Equipment, etc.

Real estate, plant, equipment, etc. are shown at cost except for assets of two predecessor companies acquired prior to June 15, 1929 and May 30, 1925 respectively, which are included at depreciated replacement values on those dates as appraised by Canadian Appraisal Company Limited. In the subsequent years virtually all of the amounts added on appraisal have been fully depreciated or written off on disposal.

3. Ocean Tanker

The following outstanding debt is secured by mortgage of the vessel and by the assignment of charters:

| | |
|---|---|
| 4¼% first mortgage bonds due October 1, 1974—$3,988,000 (U.S.) payable in blended monthly instalments of principal and interest of $44,386 (U.S.) | $4,111,379 |
| 4¼% first ship mortgage bonds due October 1, 1969—$840,000 (U.S.) payable in monthly instalments of $17,500 (U.S.) commencing October 1, 1965 | 865,987 |
| 5% secured notes due October 1, 1965—$17,500 (U.S.) | 18,041 |
| | $4,995,407 |

There is an indemnity fund invested in marketable securities having a quoted value of $2,174,000 at July 31, 1965 to indemnify the company in the event that revenue from operation of the vessel falls below stipulated levels.

The net revenues from the vessel up to July 31, 1965 were below the stipulated levels. A portion of the deficiency equal to the current earnings of the fund is recoverable year by year and the estimated present value of the balance, $604,964 is included in other assets.

The tanker is under charter until about September 1974. It is anticipated that the charter revenues together with the indemnity fund and the earnings therefrom will be adequate to retire the above bonds and notes at maturity and to pay the expenses of operation of the ship. The obligations have accordingly been shown as a deduction from the asset rather than in funded debt.

4. Bankers' Advances—Bankers' Acceptances

Bankers' advances and bankers' acceptances are secured by assignment of inventories and a general assignment of accounts receivable.

5. Funded Debt (not including $4,995,407 secured ship obligations being serviced by charter revenues from the ship's charter and an indemnity fund, deducted from asset (note 3))

| | |
|---|---|
| Maple Leaf Mills Limited— | |
| 5¾% serial debentures maturing $500,000 on December 1, 1966 (debentures of $500,000 maturing December 1, 1965 included in current liabilities) | $ 500,000 |
| 5¾% sinking fund debentures maturing December 1, 1981—sinking fund retirements of $500,000 in each of the years 1967 to 1980 inclusive | 12,500,000 |
| Subsidiary companies— | |
| 6% mortgage payable $500 quarterly to January 31, 1971 (current instalments totalling $2,000 included in current liabilities) | 9,000 |
| 6% first and second mortgages due October 9, 1968—$840,000 (U.S.) payable $280,000 (U.S.) on October 9 in each of the years 1966 to 1968 inclusive (instalment of $280,000 (U.S.) due October 9, 1965 included in current liabilities) | 865,200 |
| 6¾% mortgage payable in monthly instalments of $3,000 (current instalments of $36,000 included in current liabilities) | 39,000 |
| | $13,913,200 |

6. Income Taxes

Depreciation provided during the year ended July 31, 1965 exceeds capital cost allowances claimable for tax purposes. The current year's tax provision accordingly represents the estimated amount of income tax currently payable, $2,433,300, less an appropriate transfer of $199,300 from the account "Accumulated tax reductions applicable to future years" (which arose in prior years when capital cost allowances deductible for tax purposes exceeded depreciation recorded in the accounts).

7. Contingent Liabilities, Commitments and Subsequent Events

There were contingent liabilities at July 31, 1965 in respect of:

| | |
|---|---|
| Customers' drafts under discount | $544,000 |
| Guarantee of a bank loan of an associated company | 106,000 |

Legal action against a subsidiary company claiming damages for water pollution and an injunction to restrain the company from using certain waters. The result of this action, which is being contested, is not at present foreseeable.

Under agreements for the purchase of subsidiaries their preference shares are to be redeemed as follows—$249,820 within three years and $105,780 over the remaining five years.

Since July 31, 1965 agreement has been reached in principle for the sale of the ocean tanker but formal agreements for the sale have not as yet been entered into.

8. Capital Stock

During the year 9,835 common shares were issued under the employees' stock option plan for a total consideration of $59,661. There are options outstanding on 40,979 common shares under the employees' stock option plans which become exercisable over a period of years at prices ranging from $5.54 to $15.00 per share.

9. Directors' Fees

Fees paid to directors of the company (excluding remuneration of certain directors as officers) were as follows:

| | |
|---|---|
| By the company | $25,200 |
| By controlled bakery companies whose financial statements are not consolidated herein | 5,750 |

10. Working Capital and Surplus Restrictions

Under the trust indenture securing the debentures and the letters patent authorizing the 5½% preference shares Class B, there are covenants for the maintenance of working capital; under the most restrictive of these covenants, dividends may not be paid that would have the effect of reducing consolidated working capital (as defined) below $8,000,000 or reducing the consolidated equity (as defined) below $25,000,000.

## *auditors' report*

To the Shareholders of

Maple Leaf Mills Limited:

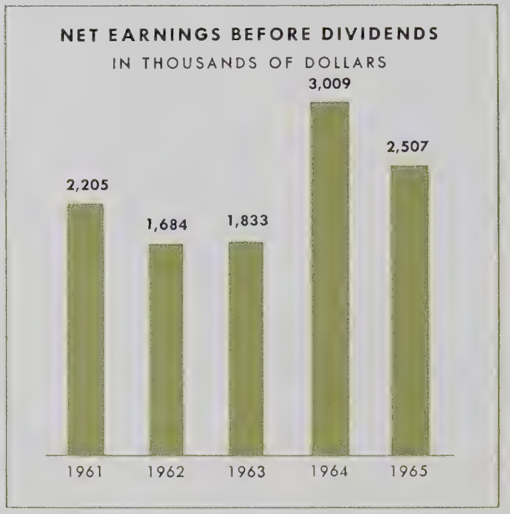
We have examined the consolidated balance sheet of Maple Leaf Mills Limited and its subsidiaries (other than controlled bakery companies) as at July 31, 1965, and the statements of consolidated earnings, earned surplus and contributed surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and statements of consolidated earnings, earned surplus and contributed surplus present fairly the financial position of the companies as at July 31, 1965, and the results of their operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

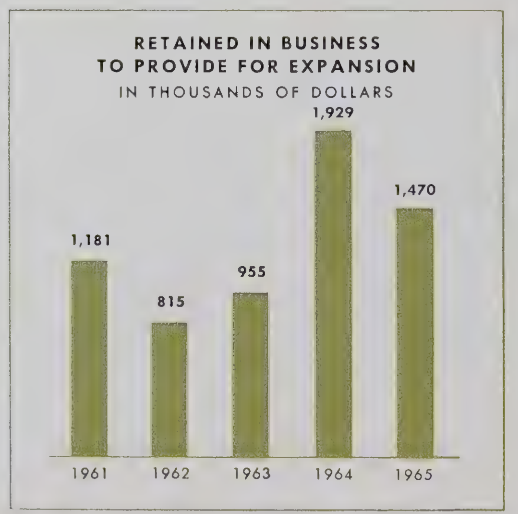
Our examination also included the accompanying statement of consolidated source and application of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the sources and applications of funds of the companies for the year ended July 31, 1965.

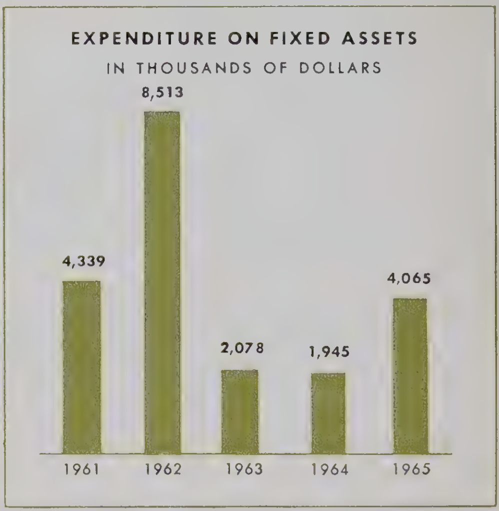
Toronto, Canada,
October 26, 1965.

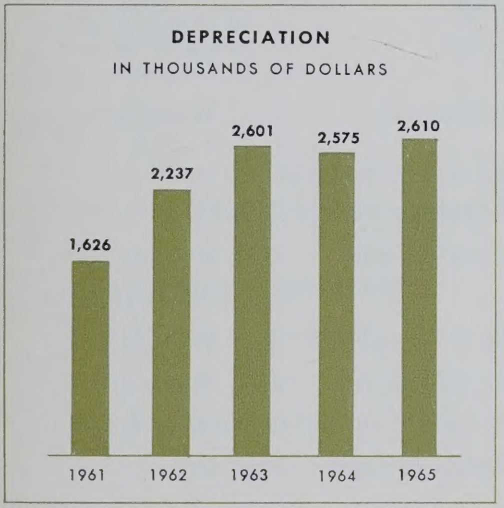
Clarkson, Gordon & Co.
*Chartered Accountants.*


NET EARNINGS BEFORE DIVIDENDS
IN THOUSANDS OF DOLLARS
2,205
1,684
1,833
3,009
2,507
1961
1962
1963
1964
1965

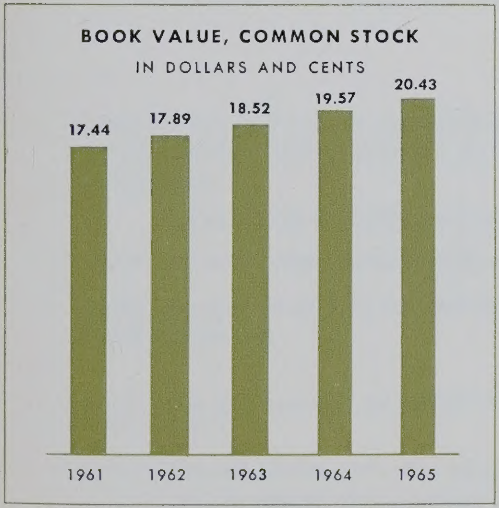

EARNINGS PER COMMON SHARE
IN DOLLARS AND CENTS
1.39
1.03
1.12
1.86
1.53
1961
1962
1963
1964
1965

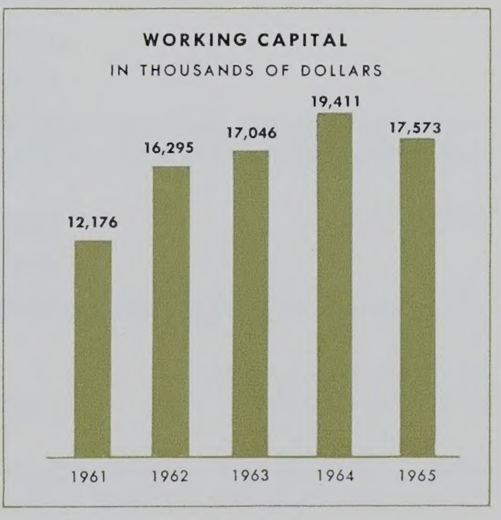

RETAINED IN BUSINESS
TO PROVIDE FOR EXPANSION
IN THOUSANDS OF DOLLARS
1,181
815
955
1,929
1,470
1961
1962
1963
1964
1965


EXPENDITURE ON FIXED ASSETS
IN THOUSANDS OF DOLLARS
4,339
8,513
2,078
1,945
4,065
1961
1962
1963
1964
1965


DEPRECIATION
IN THOUSANDS OF DOLLARS
1,626
2,237
2,601
2,575
2,610
1961
1962
1963
1964
1965


LONG TERM DEBT
IN THOUSANDS OF DOLLARS
9,879
16,245
15,455
14,665
13,913
1961
1962
1963
1964
1965


BOOK VALUE, COMMON STOCK
IN DOLLARS AND CENTS
17.44
17.89
18.52
19.57
20.43
1961
1962
1963
1964
1965


WORKING CAPITAL
IN THOUSANDS OF DOLLARS
12,176
16,295
17,046
19,411
17,573
1961
1962
1963
1964
1965

# MAPLE LEAF MILLS LIMITED

[illegible]

**DIRECTORS:**

| | |
|---|---|
| H. N. Bawden | J. D. Leitch |
| R. C. Berkinshaw, C.B.E. | James L. Lewtas, Q.C. |
| Everett Bristol, C.M.G., Q.C. | G. M. MacLachlan |
| F. T. Carnegie | B. A. Norris |
| A. D. Clark | F. W. Presant, M.B.E. |
| H. R. Cook | C. E. Soward |
| P. G. Kingsburgh, C.A. | K. F. Wadsworth |
| | J. H. Taylor |

**OFFICERS:**

| | |
|---|---|
| *Chairman of the Board* | J. D. Leitch |
| *Vice-Chairman of the Board* | C. E. Soward |
| *President* | G. M. MacLachlan |
| *Vice-President & Secretary* | H. V. Hawkins |
| *Vice-President & Treasurer* | G. A. Scrimger |
| *Comptroller* | G. W. Hawes, C.A. |
| *Assistant Secretary-Treasurer* | John Otto |

Vice-Presidents
A. W. Archibald
A. D. Clark
C. P. Coutts
P. W. Strickland

**BANKERS:**

Canadian Imperial Bank of Commerce
The Toronto-Dominion Bank
Bank of Montreal

**TRANSFER AGENTS & REGISTRARS:**

Crown Trust Company, *Toronto and Montreal*

**AUDITORS:**

Clarkson, Gordon & Co., *Toronto*

# MAPLE LEAF MILLS LIMITED

*Grocery Products*

| | |
|---|---|
| Purity Flour   Cream of the West Flour | Monarch Soft Wheat Flour |
| Monarch Pouch-Pak Mixes | Monarch Sponge Puddings |
| Monarch Tea Bisk | Monarch Mixes |
| Red River Cereal | Bran Cereal |
| Master Pet Foods | M.L.M. Grass Seed |

*Bakery Products*

Bakery Flours, including Durum, Rye, Corn and Hovis
Bulk Cake Mixes, Propionates, Delpromase

*Sales Agencies* (Domestic and Export)

E. D. Smith & Sons, Limited —Jams, Jellies, Fillings, Ketchup, Chili Sauce, Lea and Perrin's Worcestershire Sauce and H.P. Sauce

St. Lawrence Starch Company Limited—Bee Hive Golden Corn Syrup, Durham Corn Starch, Ivory Laundry Starch, Corn Oil, Baby Powder

*Export Sales*

All domestic products and the products of McLarens Foods Limited, Culverhouse Canning Company Limited and Canada Vinegars Limited.

*Agricultural*

Master Feeds for all types of poultry, dairy and beef cattle, hogs, horses, and mink. Poultry meat and select chicks. Farm Equipment. Farm and lawn seeds. Agricultural dry and liquid fertilizers and chemicals.

*Grains and International Trade*

Merchandising of wheat, oats, barley, corn, soya beans, rye and flax. Edible nuts, coconut, peanut, marine and fish oils.

*Vegetable Oil Products*

Double Diamond oilcake and meal. Linseed, soybean and castor oils. Soybean Lecithin. Fabolin —a water soluble linseed oil. Concrete Protector. Epoxy Ester Resin solutions.